

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 634 - SB 903

February 23, 2017

SUMMARY OF BILL: Prohibits allocation of state sales tax revenue to a municipality while that municipality refuses to enforce state laws.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – A significant, unquantifiable, decrease in local revenue and an equivalent increase in state revenue, or a delay of transfer of such revenue from the state to the local government, if any municipality refuses to enforce state laws.

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- Pursuant to Tenn. Code Ann. § 67-6-103(p), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992), or the 1.0 percent sales tax rate increase, from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.
- It is estimated that approximately \$314,000,000 will be allocated to municipalities each year, beginning in FY17-18, pursuant to the state-shared allocation.
- Prohibiting allocation of such revenue to any municipality while that municipality refuses to enforce state laws could result in a decrease in local revenue and an equivalent increase in state revenue, if the municipality continuously remains non-compliant with the state law enforcement provisions, or in a delay of transfer of such money from the state to the local government, if the municipality begins to enforce state laws.
- Due to multiple unknown factors, such as the number of municipalities whose funding would be withheld due to their refusal to enforce state laws, the amount of state funding that such municipalities would receive under current law, and the timing of any such violation that would result in withheld funds, the precise fiscal impact cannot be determined with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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